

THREE RIVERS COMMUNITY SCHOOLS

FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2008

# Three Rivers Community Schools

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## Three Rivers Community Schools

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## INDEPENDENT AUDITOR'S REPORT

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Three Rivers Community Schools, Michigan

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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Three Rivers Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The administration's discussion and analysis and budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Willett, CPA

Rick L. Strawser, CPA

Jerome T. Norman (1941-1982)

Board of Education  
Three Rivers Community Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Three Rivers Community Schools basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2008, on our consideration of Three Rivers Community School's internal control over financial reporting and on our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Norman J. Paulson, P.C.*

November 7, 2008

# THREE RIVERS COMMUNITY SCHOOLS

## ADMINISTRATION'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2008

This section of Three Rivers Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Three Rivers Community Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2004 Capital Projects Fund and the Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

### **Basic Financial Statements**

*District-wide Financial Statement      Fund Financial Statements*

*Notes to the Basic Financial Statement*

*(Required Supplemental Information)*

*Budgetary Information for the General Fund and Major Special Revenue Funds*

*Other Supplemental Information*

### **Reporting the School District as a whole - District-wide Financial Statements**

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# THREE RIVERS COMMUNITY SCHOOLS

## ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2008

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

### **Reporting the School District's Most Significant Funds - Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

## THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED JUNE 30, 2008**The School District as Trustee - Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE I

	June 30	
	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current and other assets	\$ 8,630,689	\$ 11,134,648
Capital assets - Net of accumulated depreciation	51,648,734	50,237,323
Other noncurrent assets	<u>749,128</u>	<u>500,478</u>
Total assets	61,028,551	61,872,449
<b>Liabilities</b>		
Current liabilities	4,597,437	4,537,292
Long-term liabilities	<u>43,895,868</u>	<u>45,674,402</u>
Total liabilities	48,493,305	50,211,694
<b>Net Assets</b>		
Invested in property and equipment - net of related debt	7,340,733	6,424,490
Restricted for debt service	883,302	1,158,000
Restricted for scholarships	54,215	52,833
Unrestricted	<u>4,256,996</u>	<u>4,025,432</u>
Total net assets	<u>\$ 12,535,246</u>	<u>\$ 11,660,755</u>



## THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED JUNE 30, 2008

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$12,535,246 at June 30, 2008. Capital assets, net of related debt totaling \$7,340,733 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$4,256,996 was unrestricted.

The \$4,256,996 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2008 and 2007.

TABLE 2

	Year Ended June 30,	
	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 882,599	\$ 905,362
Grants and categoricals	3,669,583	3,686,158
General revenue:		
Property taxes	7,915,560	7,651,792
State foundation allowance	16,320,227	16,698,142
Interest and other	<u>374,815</u>	<u>617,116</u>
Total revenue	29,162,784	29,558,570
Function/Program Expenses		
Instruction	13,981,566	14,431,475
Support services	8,916,024	9,390,875
Community services	71,001	91,335
Food services	1,239,037	1,148,370
Athletics	448,285	411,979
Endowment activities	1,410	1,926
Interest on long-term debt	2,045,036	2,057,721
Depreciation (unallocated)	<u>1,585,934</u>	<u>1,116,669</u>
Total expenses	<u>28,288,293</u>	<u>28,650,350</u>
Change in net assets	<u>\$ 874,491</u>	<u>\$ 908,220</u>

## THREE RIVERS COMMUNITY SCHOOLS

### ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2008

As reported in the statement of activities, the cost of all governmental activities this year was \$28,288,293. Certain activities were partially funded from those who benefited from the programs \$(882,599) or by other governments and organizations that subsidized certain programs with grants and categoricals \$(3,669,583). We paid for the remaining "public benefit" portion of our governmental activities with \$7,915,560 in taxes, \$16,320,227 in State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$874,491. Key reasons for the change in net assets were capitalizable expenditures and the repayment of bond principal and other long-term obligations. The decrease in net assets differs from the change in fund balance and a reconciliation appears on page 16.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

#### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$5,813,852, which is a decrease of \$2,697,303 from last year. In the General Fund, our primary operating fund, the fund balance increased \$86,907 to \$4,210,352, a change of 2.1 percent. The General Fund fund balance has been reserved for prepaid expenditures - \$52,605; reserved for inventory - \$52,363; designated for future projects - \$820,000; and undesignated - \$3,285,384.

In the Capital Projects Fund the fund balance decreased from \$2,720,566 to \$276,539. This was the result of a voter approved \$20,555,000 bond issue less bond costs and construction in progress costs incurred through June 30, 2008. The purpose of the Capital Projects Fund is to continue to spend the fund balance to complete the voter approved purpose of erecting, furnishing and equipping additions to and remodeling, refurnishing and re-equipping elementary school buildings, including educational technology system improvements; and developing and improving playgrounds and sites.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED JUNE 30, 2008

In the Debt Service Fund the fund balance decreased \$297,718 to \$1,226,102. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue - related debt service. Debt Service Fund fund balance is reserved since it can only be used to pay debt service obligations.

Our Food Service Fund fund balance decreased \$43,847 to \$46,644.

Our Athletics Fund is maintained at a zero fund balance and was supported by an operating transfer from the General Fund in the amount of \$400,100.

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased \$493,155, to better reflect state per student foundation funding and adjustments to categorical funding. Actual revenues were within \$216,245 of final budgeted revenues or 0.9 percent.

Budgeted expenditures were increased \$316,952 during the year. Actual expenditures ended the year under the final budget by \$200,021 or 0.8 percent.

There were no significant variances between the final budget and actual amounts.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2008, the School District had \$65,651,146 invested in a broad range of capital assets, including land, buildings, buses, furniture and equipment, and outside site improvements. This amount represents a net increase (including additions and disposals) of \$2,785,768, or 4 percent, from last year.

Of this amount \$2,488,000 was funded out of the Capital Projects Fund for building improvement projects.

## THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>
Land	\$ 530,006	\$ 530,006
Buildings and improvements	59,380,128	39,173,824
Buses and other vehicles	2,365,055	2,269,096
Furniture and equipment	1,635,727	803,654
Outside site improvements	1,740,230	1,500,964
Construction in progress	<u>-</u>	<u>18,587,834</u>
Total capital assets	65,651,146	62,865,378
Less accumulated depreciation	<u>14,002,412</u>	<u>12,628,055</u>
Net capital assets	<u>\$ 51,648,734</u>	<u>\$ 50,237,323</u>

## Debt

At the end of this year, the School District had long-term debt obligations totaling \$45,025,719 outstanding versus \$47,758,371 in the previous year - a change of 5.7 percent. The debt obligations consisted of the following:

	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$ 44,541,841	\$ 47,231,841
Note payable	300,047	338,026
Other	<u>183,831</u>	<u>188,504</u>
	<u>\$ 45,025,719</u>	<u>\$ 47,758,371</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED JUNE 30, 2008

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.

Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.

Increases in heating fuel costs and transportation fuel costs.

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Department, 851 Sixth Avenue, Three Rivers, Michigan 49093.

## THREE RIVERS COMMUNITY SCHOOLS

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 4,975,453
Accounts receivable	74,400
Taxes receivable (net)	-
Due from other governmental units	3,465,114
Prepaid expenses	54,173
Inventories	<u>61,549</u>
Total current assets	8,630,689
Noncurrent Assets:	
Capital assets	65,651,146
Less: accumulated depreciation	<u>14,002,412</u>
Net capital assets	51,648,734
Unamortized bond discount	372,263
Unamortized issuance cost for bonds	<u>376,865</u>
Total noncurrent assets	<u>52,397,862</u>
Total assets	61,028,551
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	234,840
Accrued payroll	1,368,738
Accrued benefits	948,720
Accrued interest	342,800
Deferred revenue	80,708
Notes payable, due within one year	39,960
Bonds payable, due within one year	<u>1,581,671</u>
Total current liabilities	4,597,437
Noncurrent Liabilities:	
Compensated absences	183,831
Notes payable	260,087
Bonds payable - net of gain on refunding	42,032,812
Bond premium net of amortization	<u>1,419,138</u>
Total noncurrent liabilities	<u>43,895,868</u>
Total liabilities	48,493,305
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	7,340,733
Restricted for debt service	883,302
Restricted for scholarships	54,215
Unrestricted	<u>4,256,996</u>
Total net assets	<u>\$ 12,535,246</u>

See Notes to Financial Statements

## THREE RIVERS COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

		<u>Program Revenues</u>		<u>Governmental</u>
				<u>Activities</u>
				Net (Expense)
				Revenue and
				Changes in Net
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Assets</u>
		<u>Services</u>	<u>Grants/</u>	
			<u>Contributions</u>	
Functions/Programs				
Governmental activities:				
Instruction	\$ 13,981,566	\$ 272,710	\$ 2,635,300	\$ (11,073,556)
Support services	8,916,024	70,378	308,160	(8,537,486)
Food services	1,239,037	471,859	723,331	(43,847)
Athletics	448,285	48,185	-	(400,100)
Community services	71,001	19,467	-	(51,534)
Endowment activities	1,410	-	2,792	1,382
Interest on long-term debt	2,045,036	-	-	(2,045,036)
Depreciation (unallocated)	<u>1,585,934</u>	<u>-</u>	<u>-</u>	<u>(1,585,934)</u>
Total Governmental activities	<u>\$ 28,288,293</u>	<u>\$ 882,599</u>	<u>\$ 3,669,583</u>	(23,736,111)
General revenues:				
Taxes				
Property taxes, levied for general operations				4,439,766
Property taxes, levied for debt service				3,475,794
State aid not restricted to specific purposes				16,320,227
Interest and investment earnings				278,908
Other				<u>95,907</u>
Total general revenues				<u>24,610,602</u>
Change in Net Assets				874,491
Net Assets - Beginning of year				<u>11,660,755</u>
Net Assets - End of year				<u>\$ 12,535,246</u>

See Notes to Financial Statements

## THREE RIVERS COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008

	<u>General</u>	<u>2004 Capital Projects</u>	<u>Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,325,187	\$ 276,106	\$ 1,225,740
Accounts receivable	68,214	3,723	362
Due from other governmental units	3,465,114	-	-
Due from other funds	35,514	-	-
Prepaid expenditures	52,605	-	-
Inventories	<u>52,363</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 6,998,997</u>	<u>\$ 279,829</u>	<u>\$ 1,226,102</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 225,613	\$ 2,784	\$ -
Accrued payroll	1,368,738	-	-
Accrued benefits	948,720	-	-
Due to other funds	164,866	506	-
Deferred revenue	<u>80,708</u>	<u>-</u>	<u>-</u>
Total liabilities	2,788,645	3,290	-
Fund Balances:			
Reserved:			
Prepaid expenditures	52,605	-	-
Inventories	52,363	-	-
Scholarships	-	-	-
Debt service	-	-	1,226,102
Capital projects	-	276,539	-
Unreserved:			
Designated for future projects	820,000	-	-
Undesignated	<u>3,285,384</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,210,352</u>	<u>276,539</u>	<u>1,226,102</u>
Total liabilities and fund balances	<u>\$ 6,998,997</u>	<u>\$ 279,829</u>	<u>\$ 1,226,102</u>

See Notes to Financial Statements



Other Nonmajor Governmental Funds	Total
\$ 148,420	\$ 4,975,453
2,101	74,400
-	3,465,114
-	35,514
1,568	54,173
9,186	61,549
<u>\$ 161,275</u>	<u>\$ 8,666,203</u>

\$ 6,443	\$ 234,840
-	1,368,738
-	948,720
53,973	219,345
<u>-</u>	<u>80,708</u>
60,416	2,852,351

1,568	54,173
9,186	61,549
54,215	54,215
-	1,226,102
-	276,539
-	820,000
<u>35,890</u>	<u>3,321,274</u>
<u>100,859</u>	<u>5,813,852</u>
<u>\$ 161,275</u>	<u>\$ 8,666,203</u>

THREE RIVERS COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2008

Total Fund Balances - Governmental Funds \$ 5,813,852

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the funds.

The cost of the capital assets is	65,651,146
Accumulated depreciation is	<u>(14,002,412)</u>
Total	51,648,734

Bond issuance costs are not included as an asset in governmental activities, net of amortization	376,865
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Bond discounts are not included as an asset in governmental activities, net of amortization	372,263
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Long-term liabilities are not due and payable in the  
current period and are not reported in the funds:

Notes payable	(300,047)
Bonds payable	(44,541,841)
Unamortized gain on debt refunding	927,358

Bond premiums are not included as a deferred cost offset in governmental activities, net of amortization	(1,419,138)
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Accrued interest payable on long-term liabilities is not included as a liability in governmental activities	<u>(342,800)</u>
--	------------------

Net assets of governmental activities	<u>\$ 12,535,246</u>
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See Notes to Financial Statements

## THREE RIVERS COMMUNITY SCHOOLS

## GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>2004 Capital Projects</u>	<u>Debt Service</u>
Revenues:			
Local sources	\$ 4,671,955	\$ 43,973	\$ 3,664,292
State sources	18,354,233	-	-
Federal sources	909,454	-	-
Interdistrict	<u>272,710</u>	<u>-</u>	<u>-</u>
Total revenues	24,208,352	43,973	3,664,292
Expenditures:			
Instruction	14,170,071	-	-
Supporting services	9,425,369	-	-
Community services	71,001	-	-
Food services	-	-	-
Athletics	-	-	-
Endowment activities	-	-	-
Capital outlay	-	2,488,000	-
Debt service			
Principal payment	37,978	-	1,510,000
Interest and fiscal charges	16,926	-	2,012,169
Bond issuance costs	<u>-</u>	<u>-</u>	<u>147,781</u>
Total expenditures	<u>23,721,345</u>	<u>2,488,000</u>	<u>3,669,950</u>
Excess (deficiency) of revenues over expenditures	487,007	(2,444,027)	(5,658)
Other financing sources (uses):			
Proceeds from the issuance of bonds and notes	-	-	24,505,000
Premium on issuance of bonds	-	-	1,468,073
Payment to bond escrow agent	-	-	(26,142,608)
Operating transfers in	-	-	-
Operating transfers out	(400,100)	-	-
Discount on issuance of bonds	<u>-</u>	<u>-</u>	<u>(122,525)</u>
Total other financing sources (uses)	<u>(400,100)</u>	<u>-</u>	<u>(292,060)</u>
Net change in fund balances	86,907	(2,444,027)	(297,718)
Fund balances, July 1	<u>4,123,445</u>	<u>2,720,566</u>	<u>1,523,820</u>
Fund balances, June 30	<u>\$ 4,210,352</u>	<u>\$ 276,539</u>	<u>\$ 1,226,102</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 522,836	\$ 8,903,056
49,424	18,403,657
673,907	1,583,361
<u>-</u>	<u>272,710</u>
1,246,167	29,162,784
-	14,170,071
-	9,425,369
-	71,001
1,239,037	1,239,037
448,285	448,285
1,410	1,410
-	2,488,000
-	1,547,978
-	2,029,095
<u>-</u>	<u>147,781</u>
<u>1,688,732</u>	<u>31,568,027</u>
(442,565)	(2,405,243)
-	24,505,000
-	1,468,073
-	(26,142,608)
400,100	400,100
-	(400,100)
<u>-</u>	<u>(122,525)</u>
<u>400,100</u>	<u>(292,060)</u>
(42,465)	(2,697,303)
<u>143,324</u>	<u>8,511,155</u>
<u>\$ 100,859</u>	<u>\$ 5,813,852</u>

## GOVERNMENTAL FUNDS

Net change in Fund Balances - Total Governmental Funds	\$ (2,697,303)
--	----------------

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(1,585,934)
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Capital outlays	2,997,345
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Total	1,411,411
-------	-----------

Amortization of bond costs is recorded as an expenditure in the statement of activities, it is reported in the governmental funds in the year the bonds are issued	(10,016)
--	----------

Proceeds from bond and note issuance is an other financing source in the governmental funds, but not in the statement of activities (where it increases long-term debt)	(24,505,000)
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Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	23,020
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Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds	188,504
--	---------

Repayment of bond principal and note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	27,690,587
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Amortization of bond discounts is recorded as an expenditure in the statement of activities, it is reported in the governmental funds in the year the bonds are issued	(11,640)
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THREE RIVERS COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED June 30, 2008

Amortization of the gain in a bond refunding, is reported as an increase in interest expense in the statement of activities, it is reported as a reduction in bond debt in the statement of net assets	(66,240)
Bond issuance costs are recorded as an expenditure in the governmental funds but not in the statement of activities (where it is amortized over the life of the bond issue)	147,781
Bond discounts are recorded as an other financing use in the governmental funds but not in the statement of activities (where it is amortized over the life of the bond issue)	122,525
Bond premiums are recorded as an other financing source in the governmental funds but not in the statement of activities (where it is amortized over the life of the bond issue)	(1,468,073)
Amortization of bond premiums is recorded as an expense reduction in the statement of activities, it is reported in the governmental funds in the year the bonds are issued	<u>48,935</u>
Change in Net Assets of Governmental Activities	<u>\$ 874,491</u>

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

ASSETS

Due from other funds	\$ 183,831
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LIABILITIES

Accrued compensated absences	<u>183,831</u>
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NET ASSETS

Unrestricted	<u><u>\$ -</u></u>
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See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

INTERNAL SERVICE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2008

Operating Revenues:

Charges to other funds	\$ 183,831
------------------------	------------

Operating Expenses:

Compensated absences	<u>183,831</u>
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Change in Net Assets	-
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Net Assets - Beginning of year	<u>-</u>
--------------------------------	----------

Net Assets - End of year	<u><u>\$ -</u></u>
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See Notes to Financial Statements



THREE RIVERS COMMUNITY SCHOOLS

INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2008

Cash Flows from Operating Activities:

Received from charges to other funds	\$ -
Cash - Beginning of year	<u>-</u>
Cash - End of year	<u><u>\$ -</u></u>

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008

	Student Activities <u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ <u>150,737</u>
<u>LIABILITIES</u>	
Due to student groups	\$ <u>150,737</u>

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Three Rivers Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

**District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-Wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The 2004 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs.

The Debt Service Fund is used to record tax, interest, other revenue for payment of principal, interest and other expenditures on the bond issues.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Services Fund.

The Internal Service Fund is used to account for operations that provide services to other departments or agencies of the government.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

THREE RIVERS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

**Compensated Absences** - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications** - Comparative data is not included in the district's financial statements.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School district did not have significant expenditure budget variances.

**Capital Projects Fund Compliance** - The Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of 1351a of the State of Michigan's School Code.



THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The School District's cash and cash equivalents at June 30, 2008, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	<u>\$ 4,975,453</u>	<u>\$ 150,737</u>	<u>\$ 5,126,190</u>

Deposits consist of checking, savings, and time certificates. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$5,184,674. Of that amount, \$505,709 was covered by federal depository insurance coverage or secured and \$4,678,965 was uninsured and uncollateralized.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$80,708.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the School District's governmental activities was as follows:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2008</u>
Assets not being depreciated - Land	\$ 530,006	\$ -	\$ -	\$ 530,006
Capital assets being depreciated:				
Buildings and building improvements	39,173,824	20,206,304	-	59,380,128
Buses and other vehicles	2,269,096	95,959	-	2,365,055
Furniture and equipment	803,654	1,043,650	211,577	1,635,727
Outside site improvements	1,500,964	239,266	-	1,740,230
Construction in progress	<u>18,587,834</u>	<u>2,488,000</u>	<u>21,075,834</u>	<u>-</u>
Subtotal	62,335,372	24,073,179	21,287,411	65,121,140
Accumulated depreciation:				
Buildings and building improvements	10,207,315	1,140,551	-	11,347,866
Buses and other vehicles	1,511,946	207,438	-	1,719,384
Furniture and equipment	533,416	152,048	211,577	473,887
Outside site improvements	<u>375,378</u>	<u>85,897</u>	<u>-</u>	<u>461,275</u>
Subtotal	<u>12,628,055</u>	<u>1,585,934</u>	<u>211,577</u>	<u>14,002,412</u>
Net capital assets being depreciated	<u>49,707,317</u>			<u>51,118,728</u>
Net capital assets	<u>\$ 50,237,323</u>			<u>\$ 51,648,734</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

The School District has active construction projects at year end. These construction projects are being completed from funds received by the \$20,555,000 2004 Building and Site Bond Issue. The District's cumulative expenditures at June 30, 2008 from this bond issue amounted to \$21,391,089.

## THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
General Fund	Debt Service Fund	\$ 506
	Other governmental funds	<u>35,008</u>
		<u>\$ 35,514</u>

Interfund Transfers:

	Transfer Out:
	General Fund
Transfer in:	
Other governmental funds	<u>\$ 400,100</u>

**NOTE 7 - LONG-TERM DEBT**

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include compensated absences.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds	\$47,231,841	\$24,505,000	\$27,195,000	\$44,541,841	<u>\$1,647,911</u>
Deposits with escrow agents (535,990)		(457,608)	(66,240)	(927,358)	<u>\$ (66,240)</u>
Notes	338,026	-	37,979	300,047	<u>\$ 39,960</u>
Other Obligations	<u>188,504</u>	<u>-</u>	<u>4,673</u>	<u>183,831</u>	<u>\$ -</u>
Totals	<u>\$47,222,381</u>	<u>\$24,047,392</u>	<u>\$27,171,412</u>	<u>\$44,098,361</u>	

## THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**NOTE 7 - LONG-TERM DEBT - (Continued)**

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,687,871	\$ 2,056,830	\$ 3,744,701
2010	1,771,051	1,979,229	3,750,280
2011	1,854,388	1,896,643	3,751,031
2012	1,949,147	1,809,138	3,758,285
2013	2,041,574	1,716,207	3,757,781
2014-2018	11,609,112	7,067,080	18,676,192
2019-2023	12,715,000	4,139,726	16,854,726
2024-2028	5,185,000	1,929,587	7,114,587
2029-2033	5,030,000	896,914	5,926,914
2034	<u>1,000,000</u>	<u>47,500</u>	<u>1,047,500</u>
	<u>\$44,841,889</u>	<u>\$23,538,853</u>	<u>\$68,380,742</u>

## Governmental Activities:

General obligation bonds consist of:

\$451,919 1998 School Improvement Bond (Durant Settlement) payable in annual installments of \$40,810 to \$19,927 through May 15, 2013; interest at 4.76%; annual principal and interest payments are to be paid directly by the State of Michigan	\$ 266,841
\$24,505,000 2008 Refunding Bonds, payable in annual installments of \$1,155,000 to \$1,790,000 through May 1, 2023; interest from 5.00% to 5.00%	24,505,000
\$10,540,000 2004 School Building and Site Bonds (non-refunded portion) payable in annual installments of \$375,000 to \$1,000,000 through May 1, 2034; interest from 3.00% to 4.75%	9,815,000
\$9,995,000 2007 Refunding School Building and Site Bonds payable in annual installments of \$40,000 to \$1,050,000 through May 1, 2032; interest from 4.00% to 4.125%	<u>9,955,000</u>
Total bonds payable	<u>\$ 44,541,841</u>

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 7 - LONG-TERM DEBT - (Continued)**

Notes payable consist of:

\$424,938 Michigan Municipal Bond Authority Installment Purchase Agreement, annual payments of \$54,904, including interest at 5.15%, final payment due July 30, 2014	<u>\$ 300,048</u>
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Other governmental activity long-term obligations include:

Employee - compensated absences	<u>\$ 183,831</u>
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**Defeased Debt** - During the year ended June 30, 2008, the District issued \$24,505,000 in general obligation bonds with an average interest rate of 5.00%. The proceeds were used to advance refund \$25,685,000 outstanding 1998 bonds with an average interest rate of 5.00%. The net proceeds of \$25,702,767 (after payment of \$147,781 in underwriting fees, insurance, and other costs and \$122,525 in original issue discount plus \$1,468,073 in premium less \$439,841 provided by the debt service fund) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 1998 bonds. As a result, a part of the bonds are considered to be defeased, and the liability for those bonds has been removed from the General Long-Term Debt Account Group. The advance refunding reduces total debt service payments over the next 15 years by approximately \$406,682, which represents an economic gain of approximately \$295,165.

**NOTE 8 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical claims for certain employee groups. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

**NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** - Employer contributions to the system result from the implementing effect of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2008, 2007, and 2006 were \$2,150,400, \$2,392,913, and \$2,286,004.

**Post Employment Benefits** - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

**REQUIRED SUPPLEMENTAL INFORMATION**

## THREE RIVERS COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues:				
Local sources	\$ 4,262,957	\$ 4,590,484	\$ 4,671,955	\$ 81,471
State sources	18,362,509	18,371,413	18,354,233	(17,180)
Federal sources	989,114	1,156,396	909,454	(246,942)
Interdistrict	<u>316,862</u>	<u>306,304</u>	<u>272,710</u>	<u>(33,594)</u>
Total revenue	23,931,442	24,424,597	24,208,352	(216,245)
Expenditures:				
Instruction	14,071,467	14,273,671	14,170,071	(103,600)
Supporting services	9,398,398	9,501,976	9,425,369	(76,607)
Community services	79,549	90,719	71,001	(19,718)
Debt service	<u>55,000</u>	<u>55,000</u>	<u>54,904</u>	<u>(96)</u>
Total expenditures	<u>23,604,414</u>	<u>23,921,366</u>	<u>23,721,345</u>	<u>(200,021)</u>
Excess (deficiency) of revenues over expenditures	327,028	503,231	487,007	(16,224)
Other financing sources (uses):				
Operating transfers out	<u>(406,270)</u>	<u>(405,608)</u>	<u>(400,100)</u>	<u>(5,508)</u>
Net change in fund balance	(79,242)	97,623	86,907	(10,716)
Fund balance, July 1	<u>4,123,445</u>	<u>4,123,445</u>	<u>4,123,445</u>	<u>-</u>
Fund balance, June 30	<u>\$ 4,044,203</u>	<u>\$ 4,221,068</u>	<u>\$ 4,210,352</u>	<u>\$ (10,716)</u>



## OTHER SUPPLEMENTAL INFORMATION

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF REVENUES

YEAR ENDED JUNE 30, 2008

REVENUES

Revenues from local sources

Current property taxes	\$ 4,439,766
Interest on investments	46,437
Tuition and fees	91,877
Other revenues	<u>93,875</u>

Total revenues from local sources 4,671,955

Revenues from state sources

Foundation	16,320,227
At risk	757,106
Adult education	118,133
Early childhood education	200,693
Special education	882,989
Durant Settlement	45,192
Middle School math	29,045
Other state sources	<u>848</u>

Total revenues from state sources 18,354,233

Revenues from federal sources

Title I	598,620
Title V LEA Allocation	5,749
Limited English Title III	7,726
Improving Teacher Quality Title II Part A	211,590
Technology Literacy Title II Part D	2,247
Adult education	11,750
Drug free schools	11,148
Medicaid outreach	46,378
Service Provider Self Review	5,000
Other federal sources	<u>9,246</u>

Total revenues from federal sources 909,454

Revenues from other districts

Vocational education	172,256
Adult education	93,782
Other revenue	<u>6,672</u>

Total revenues from other districts 272,710

Total revenues \$ 24,208,352

THREE RIVERS COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES  
YEAR ENDED JUNE 30, 2008

INSTRUCTION

Elementary	
Salaries	\$ 3,133,948
Employee benefits	1,711,469
Purchased services	94,762
Supplies, material, and other	103,420
Capital outlay	<u>-</u>
Total elementary instruction expenditures	5,043,599
 Middle school	
Salaries	1,652,168
Employee benefits	811,253
Purchased services	96,557
Supplies, material, and other	33,294
Capital outlay	<u>13,446</u>
Total middle school instruction expenditures	2,606,718
 Secondary	
Salaries	1,953,468
Employee benefits	999,386
Purchased services	85,815
Supplies, material, and other	113,644
Capital outlay	<u>2,895</u>
Total secondary instruction expenditures	3,155,208
 Special education	
Salaries	1,155,021
Employee benefits	618,233
Purchased services	35,396
Supplies, material, and other	10,632
Capital outlay	<u>-</u>
Total special education instruction expenditures	1,819,282

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

INSTRUCTION - Continued

Compensatory education	
Salaries	375,925
Employee benefits	157,637
Purchased services	29,684
Supplies, material, and other	36,895
Capital outlay	<u>-</u>
Total compensatory education instruction expenditures	600,141
Vocational education	
Salaries	120,008
Employee benefits	50,990
Purchased services	<u>353,434</u>
Total vocational education instruction expenditures	524,432
Early childhood education	
Salaries	127,889
Employee benefits	54,598
Purchased services	3,314
Supplies, material, and other	6,892
Capital outlay	<u>-</u>
Total early childhood education instruction expenditures	192,693
Adult and community education	
Salaries	155,171
Employee benefits	54,825
Purchased services	7,301
Supplies, material, and other	10,039
Capital outlay	<u>662</u>
Total adult and community education instruction expenditures	<u>227,998</u>
Total instruction expenditures	14,170,071

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES

Pupil

Guidance

Salaries	437,427
Employee benefits	240,305
Purchased services	191
Supplies, material, and other	<u>1,136</u>

Total guidance expenditures 679,059

Health

Salaries	34,581
Employee benefits	27,649
Purchased services	988
Supplies, material, and other	<u>5,323</u>

Total health expenditures 68,541

Other pupil services

Salaries	232,118
Employee benefits	66,118
Purchased services	<u>20,000</u>

Total other pupil services 318,236

Total pupil supporting  
services expenditures 1,065,836

Instructional staff

Curriculum coordination

Salaries	103,714
Employee benefits	59,489
Purchased services	223,868
Supplies, material, and other	<u>156,835</u>

Total curriculum coordination expenditures 543,906

Library

Salaries	167,795
Employee benefits	83,699
Purchased services	-
Supplies, material, and other	<u>21,713</u>

Total library expenditures 273,207

THREE RIVERS COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

Instructional staff - Continued

Technology coordination	
Salaries	204,064
Employee benefits	115,557
Purchased services	147,006
Supplies, material, and other	69,223
Capital outlay	<u>49,231</u>

Total technology coordination expenditures	585,081
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Program coordination	
Salaries	42,071
Employee benefits	28,658
Purchased services	55,309
Supplies, material, and other	2,356
Capital outlay	<u>-</u>

Total program coordination expenditures	<u>128,394</u>
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Total instructional staff supporting services expenditures	1,530,588
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General administration

Board of education	
Salaries	-
Purchased services	84,923
Supplies, material, and other	<u>62,082</u>

Total board of education expenditures	147,005
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Executive administration

Salaries	317,438
Employee benefits	182,513
Purchased services	5,332
Supplies, material, and other	13,151
Capital outlay	<u>-</u>

Total executive administration expenditures	<u>518,434</u>
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Total general administration supporting services expenditures	665,439
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THREE RIVERS COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

School administration

Office of the principal

Salaries	463,416
Employee benefits	358,229
Purchased services	395,388
Supplies, material, and other	40,048
Capital outlay	<u>-</u>

Total school administrative supporting services expenditures	1,257,081
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Business

Fiscal services

Salaries	130,409
Employee benefits	148,400
Purchased services	61,298
Supplies, material, and other	78,305
Capital outlay	<u>-</u>

Total business supporting services expenditures	418,412
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Operation and maintenance of plant

Salaries	777,018
Employee benefits	590,114
Purchased services	715,407
Supplies, material, and other	852,454
Capital outlay	<u>36,760</u>

Total operation and maintenance of plant expenditures	2,971,753
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Pupil transportation services

Salaries	665,819
Employee benefits	408,522
Purchased services	50,759
Supplies, material, and other	295,201
Capital outlay	<u>95,959</u>

Total pupil transportation services expenditures	<u>1,516,260</u>
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Total supporting services expenditures	9,425,369
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THREE RIVERS COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

COMMUNITY SERVICES

Recreation	
Salaries	12,572
Employee benefits	3,132
Purchased services	2,503
Supplies, materials, and other	<u>-</u>
Total recreation expenditures	18,207
Other	
Salaries	-
Employee benefits	-
Purchased services	47,929
Supplies, materials, and other	<u>4,865</u>
Total other expenditures	<u>52,794</u>
Total community services expenditures	71,001

DEBT SERVICES

Principal payments	37,978
Interest and fiscal charges	<u>16,926</u>
Total debt services	<u>54,904</u>
Total operating expenditures	<u>\$ 23,721,345</u>



## THREE RIVERS COMMUNITY SCHOOLS

## OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>Special Revenue Funds</u>			
	<u>Food</u>		<u>Expendable</u>	
	<u>Services</u>	<u>Athletics</u>	<u>Trust</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 94,205	\$ -	\$ 54,215	\$ 148,420
Accounts receivable	2,101	-	-	2,101
Inventory	9,186	-	-	9,186
Prepaid expenditures	<u>1,568</u>	<u>-</u>	<u>-</u>	<u>1,568</u>
Total assets	<u>\$ 107,060</u>	<u>\$ -</u>	<u>\$ 54,215</u>	<u>\$ 161,275</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 6,443	\$ -	\$ -	\$ 6,443
Due to other funds	<u>53,973</u>	<u>-</u>	<u>-</u>	<u>53,973</u>
Total liabilities	60,416	-	-	60,416
Fund balances:				
Reserved:				
Prepaid expenditures	1,568	-	-	1,568
Inventory	9,186	-	-	9,186
Scholarships	-	-	54,215	54,215
Unreserved:				
Undesignated	<u>35,890</u>	<u>-</u>	<u>-</u>	<u>35,890</u>
Total fund balances	<u>46,644</u>	<u>-</u>	<u>54,215</u>	<u>100,859</u>
Total liabilities and fund balances	<u>\$ 107,060</u>	<u>\$ -</u>	<u>\$ 54,215</u>	<u>\$ 161,275</u>

## THREE RIVERS COMMUNITY SCHOOLS

## OTHER SUPPLEMENTAL INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2008

	<u>Special Revenue Funds</u>			
	<u>Food Services</u>	<u>Athletics</u>	<u>Expendable Trust</u>	<u>Total</u>
Revenues:				
Local sources	\$ 471,859	\$ 48,185	\$ 2,792	\$ 522,836
State sources	49,424	-	-	49,424
Federal sources	<u>673,907</u>	<u>-</u>	<u>-</u>	<u>673,907</u>
Total revenues	1,195,190	48,185	2,792	1,246,167
Expenditures:				
Food services	1,239,037	-	-	1,239,037
Athletics	-	448,285	-	448,285
Scholarships	<u>-</u>	<u>-</u>	<u>1,410</u>	<u>1,410</u>
Total expenditure	<u>1,239,037</u>	<u>448,285</u>	<u>1,410</u>	<u>1,688,732</u>
Excess (deficiency) of revenues over expenditures	(43,847)	(400,100)	1,382	(442,565)
Other financing sources:				
Operating transfers in	<u>-</u>	<u>400,100</u>	<u>-</u>	<u>400,100</u>
Net change in fund balances	(43,847)	-	1,382	(42,465)
Fund balances, July 1	<u>90,491</u>	<u>-</u>	<u>52,833</u>	<u>143,324</u>
Fund balances, June 30	<u>\$ 46,644</u>	<u>\$ -</u>	<u>\$ 54,215</u>	<u>\$ 100,859</u>

## THREE RIVERS COMMUNITY SCHOOLS

## OTHER SUPPLEMENTAL INFORMATION

FOOD SERVICE SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 485,000	\$ 471,859	\$ (13,141)
State sources	50,000	49,424	(576)
Federal sources	<u>675,000</u>	<u>673,907</u>	<u>(1,093)</u>
Total revenues	1,210,000	1,195,190	(14,810)
Expenditures:			
Salaries	373,800	373,379	(421)
Employee benefits	165,000	165,190	190
Purchased services	17,500	18,220	720
Supplies, material, and other	675,000	671,120	(3,880)
Capital outlay	<u>40,000</u>	<u>11,128</u>	<u>(28,872)</u>
Total expenditures	<u>1,271,300</u>	<u>1,239,037</u>	<u>(32,263)</u>
Excess (deficiency) of revenues over expenditures	(61,300)	(43,847)	17,453
Fund balance, July 1	<u>90,491</u>	<u>90,491</u>	<u>-</u>
Fund balance, June 30	<u>\$ 29,191</u>	<u>\$ 46,644</u>	<u>\$ 17,453</u>

## THREE RIVERS COMMUNITY SCHOOLS

## OTHER SUPPLEMENTAL INFORMATION

ATHLETIC SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 50,000	\$ 48,185	\$ (1,815)
Expenditures:			
Salaries	240,443	238,540	(1,903)
Employee benefits	73,875	73,867	(8)
Purchased services	87,450	86,897	(553)
Supplies, material, and other	21,840	18,685	(3,155)
Capital outlay	<u>32,000</u>	<u>30,296</u>	<u>(1,704)</u>
Total expenditures	<u>455,608</u>	<u>448,285</u>	<u>(7,323)</u>
Excess (deficiency) of revenues over expenditures	(405,608)	(400,100)	5,508
Other financing sources:			
Operating transfers in	<u>405,608</u>	<u>400,100</u>	<u>(5,508)</u>
Excess (deficiency) of revenues over expenditures and other financing sources	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

STUDENT ACTIVITIES AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2008

	Balances <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balances <u>June 30, 2008</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>155,280</u>	\$ <u>387,287</u>	\$ <u>391,830</u>	\$ <u>150,737</u>
<u>LIABILITIES</u>				
Due to student groups	\$ <u>155,280</u>	\$ <u>387,287</u>	\$ <u>391,830</u>	\$ <u>150,737</u>

THREE RIVERS COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

1998 SCHOOL IMPROVEMENT BONDS \$ 451,919

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.76	\$ 8,819	\$ 22,911	\$ 31,730
2010	4.76	7,728	24,007	31,735
2011	4.76	6,585	25,151	31,736
2012	4.76	5,388	26,347	31,735
2013	4.76	4,133	27,602	31,735
2014	4.76	2,819	28,915	31,734
2015	4.76	<u>46,239</u>	<u>111,908</u>	<u>158,147</u>
Total		<u>\$ 81,711</u>	<u>\$ 266,841</u>	<u>\$ 348,552</u>

Interest and principal on the bonds of the above issue are payable annually on May 15. As part of the Durant Settlement the annual principal and interest payments are to be made directly by the State of Michigan.

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

2004 SCHOOL BUILDING AND SITE BONDS (NON-REFUNDED PORTION) \$ 10,540,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	3.50	\$ 406,556	\$ 425,000	\$ 831,556
2010	3.50	391,681	400,000	791,681
2011	3.50	377,681	350,000	727,681
2012	3.50	365,431	300,000	665,431
2013	3.50	354,932	250,000	604,932
2014	4.00	346,181	300,000	646,181
2015	4.00	334,181	375,000	709,181
2016	4.00	319,181	525,000	844,181
2017	4.00	298,182	650,000	948,182
2018	4.00	272,181	775,000	1,047,181
2019	4.00	241,181	775,000	1,016,181
2020	4.00	210,181	775,000	985,181
2021	4.25	179,182	775,000	954,182
2022	4.375	146,244	775,000	921,244
2023	4.75	112,338	-	112,338
2024	4.75	112,337	-	112,337
2025	4.75	112,338	-	112,338
2026	4.75	112,337	-	112,337
2027	4.75	112,338	-	112,338
2028	4.75	112,337	-	112,337
2029	4.75	112,338	-	112,338
2030	4.75	112,337	-	112,337
2031	4.75	112,338	-	112,338
2032	4.75	112,337	365,000	477,337
2033	4.75	95,000	1,000,000	1,095,000
2034	4.75	47,500	1,000,000	1,047,500
Total		<u>\$ 5,508,850</u>	<u>\$ 9,815,000</u>	<u>\$ 15,323,850</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable on May 1.

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

2007 REFUNDING SCHOOL BUILDING AND SITE BONDS \$ 9,995,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.00	\$ 401,260	\$ 45,000	\$ 446,260
2010	4.00	399,460	-	399,460
2011	4.00	399,460	-	399,460
2012	4.00	399,460	-	399,460
2013	4.00	399,460	-	399,460
2014	4.00	399,460	-	399,460
2015	4.00	399,460	-	399,460
2016	4.00	399,460	-	399,460
2017	4.00	399,460	-	399,460
2018	4.00	399,460	-	399,460
2019	4.00	399,460	50,000	449,460
2020	4.00	397,460	50,000	447,460
2021	4.00	395,460	50,000	445,460
2022	4.00	393,460	55,000	448,460
2023	4.00	391,260	855,000	1,246,260
2024	4.00	357,060	1,050,000	1,407,060
2025	4.00	315,060	1,045,000	1,360,060
2026	4.00	273,260	1,035,000	1,308,260
2027	4.00	231,860	1,030,000	1,261,860
2028	4.00	190,660	1,025,000	1,215,660
2029	4.00	149,660	1,015,000	1,164,660
2030	4.10	109,060	1,010,000	1,119,060
2031	4.125	67,650	1,005,000	1,072,650
2032	4.125	<u>26,194</u>	<u>635,000</u>	<u>661,194</u>
Total		<u>\$ 7,693,964</u>	<u>\$ 9,955,000</u>	<u>\$ 17,648,964</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable on May 1.



THREE RIVERS COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

2008 REFUNDING SCHOOL BUILDING AND SITE BONDS \$ 24,505,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	5.00	\$ 1,225,250	\$ 1,155,000	\$ 2,380,250
2010	5.00	1,167,500	1,305,000	2,472,500
2011	5.00	1,102,250	1,435,000	2,537,250
2012	5.00	1,030,500	1,575,000	2,605,500
2013	5.00	951,750	1,715,000	2,666,750
2014	5.00	866,000	1,765,000	2,631,000
2015	5.00	777,750	1,790,000	2,567,750
2016	5.00	688,250	1,750,000	2,438,250
2017	5.00	600,750	1,735,000	2,335,750
2018	5.00	514,000	1,725,000	2,239,000
2019	5.00	427,750	1,745,000	2,172,750
2020	5.00	340,500	1,740,000	2,080,500
2021	5.00	253,500	1,710,000	1,963,500
2022	5.00	168,000	1,685,000	1,853,000
2023	5.00	<u>83,750</u>	<u>1,675,000</u>	<u>1,758,750</u>
Total		<u>\$10,197,500</u>	<u>\$24,505,000</u>	<u>\$34,702,500</u>

Interest on the bonds of the above issue is payable semi-annually on November 1, and May 1. Principal is payable on May 1.

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF NOTES PAYABLE  
YEAR ENDED JUNE 30, 2008

2004 INSTALLMENT PURCHASE PLAN \$ 424,938

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	5.15	\$ 14,945	\$ 39,960	\$ 54,905
2010	5.15	12,860	42,044	54,904
2011	5.15	10,667	44,237	54,904
2012	5.15	8,359	46,545	54,904
2013	5.15	5,932	48,972	54,904
2014	5.15	3,377	51,527	54,904
2015	5.15	<u>689</u>	<u>26,762</u>	<u>27,451</u>
Total		<u>\$ 56,829</u>	<u>\$ 300,047</u>	<u>\$ 356,876</u>

## THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I - Educationally Deprived	84.010	0715300607 0815300708	\$ 683,174 784,059
Adult Ed. - State Admin.	84.002	0811208500547	11,750
Title V LEA Allocation	84.298	0802500708	5,749
Improving Teacher Quality	84.367	0705200607 0805200708	220,572 221,085
Technology Literacy	84.318	0842900708	8,699
Service Provider Self Review	84.027	0804400708	5,000
Passed Through Intermediate School District:			
Career Forward	84.318		2,000
Striving Readers	84.371	SB95018001	8,046
Drug Free Schools	84.186		11,148
Title III Limited English	84.365		7,726

TOTAL DEPARTMENT OF EDUCATION

U.S. Department of Health and Human Services

Passed Through Intermediate School District:

Medicaid outreach	93.778		46,378
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(continued on next page)

Accrued (Deferred) Revenue July 1, 2007	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued (Deferred) Revenue June 30, 2008
\$ (14,534)	506,216	\$ 92,448	\$ 77,914	\$ -
<u>-</u>		<u>506,172</u>	<u>520,978</u>	<u>(14,806)</u>
(14,534)		598,620	598,892	(14,806)
-		11,750	11,750	-
-		5,749	5,749	-
10,563	220,572	-	10,563	-
<u>-</u>		<u>211,590</u>	<u>211,590</u>	<u>-</u>
10,563		211,590	222,153	-
-		2,247	2,247	-
<u>-</u>		<u>5,000</u>	<u>5,000</u>	<u>-</u>
(3,971)		834,956	845,791	(14,806)
-		1,200	2,000	(800)
-	4,737	8,046	8,046	-
(1,748)	9,908	11,148	-	9,400
<u>6,772</u>	<u>6,772</u>	<u>7,726</u>	<u>6,772</u>	<u>7,726</u>
1,053		863,076	862,609	1,520
32,861	76,662	46,378	79,239	-

## THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Agriculture</u>			
Nutrition Cluster			
Passed Through State Department of Education			
Summer Food Service Program	10.559	07-08	8,553
National School Lunch Program	10.555	07-08 06-07	412,356 456,731
National School Lunch Special Milk Program	10.556	07-08 06-07	1,193 908
National School Lunch Breakfast	10.553	07-08 06-07	114,301 133,153
Food Distribution			
Entitlement Commodities	10.550	07-08	74,151
Bonus Commodities		07-08	913

TOTAL DEPARTMENT OF AGRICULTURE

TOTAL FEDERAL FINANCIAL ASSISTANCE

## Notes:

- 1.\* Designates Major Program
2. Dollar threshold used to distinguish between Type A and Type B programs - \$300,000.
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements.
4. The amounts reported on the R7120 reconcile with this schedule.
5. This schedule has been prepared under the modified accrual basis of accounting.

Accrued (Deferred) Revenue July 1, 2007	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued (Deferred) Revenue June 30, 2008
-		* 8,553	8,553	-
-		412,356	412,356	-
-	406,670	<u>50,061</u>	<u>50,061</u>	-
-		* 462,417	462,417	-
-		1,193	1,193	-
-	771	<u>137</u>	<u>137</u>	-
-		* 1,330	1,330	-
-		114,301	114,301	-
-	120,911	<u>12,242</u>	<u>12,242</u>	-
-		* 126,543	126,543	-
-		74,151	74,151	-
-		<u>913</u>	<u>913</u>	-
-		<u>75,064</u>	<u>75,064</u>	-
-		<u>673,907</u>	<u>673,907</u>	-
<u>\$ 33,914</u>		<u>\$ 1,583,361</u>	<u>\$1,615,755</u>	<u>\$ 1,520</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT FINANCIAL  
STATEMENTS PERFORMED IN OF ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Three Rivers Community Schools, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools as of and for the year ended June 30, 2008, which collectively comprise Three Rivers Community Schools' basic financial statements and have issued our report thereon dated November 7, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered Three Rivers Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Three Rivers Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Three Rivers Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael B. Wilson, CPA

Rick L. Strawser, CPA

Jerrold T. Norman (1941-1982)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether Three Rivers Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Norman J. Paulson, P.C.*

November 7, 2008





Norman & Paulsen, P.C.

Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Three Rivers Community Schools, Michigan

Compliance - We have audited the compliance of Three Rivers Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Three Rivers Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Three Rivers Community Schools' management. Our responsibility is to express an opinion on Three Rivers Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Three Rivers Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Three Rivers Community Schools' compliance with those requirements.

In our opinion, Three Rivers Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gösling, CPA

Michael B. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1841-1882)

Internal Control over Compliance - The management of Three Rivers Community Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Three Rivers Community Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Three Rivers Community Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Norman J. Sullivan, P.C.*

November 7, 2008

THREE RIVERS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

1. Summary of auditor's results:

- (I) An unqualified opinion was issued on the financial statements.
- (ii) No material weakness or significant deficiency in internal control were disclosed by the audit of the financial statements.
- (iii) The audit disclosed no noncompliance.
- (iv) No material weakness or significant deficiency in internal control over major programs were disclosed by the audit.
- (v) An unqualified opinion was issued on Compliance for major programs.
- (vi) No audit findings were disclosed.
- (vii) Major programs: U.S. Department of Agriculture:

Child Nutrition Cluster:

10.553 School Breakfast Program

10.555 National School Lunch Program

10.556 Special Milk Program

10.559 Summer Food Service Program

- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

- (ix) Three Rivers Community Schools qualified as a low-risk auditee.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS:

NONE

3. Findings and questioned costs for Federal awards:

NONE

4. Prior year findings:

NONE





## AUDIT-RELATED COMMUNICATIONS

To the Board of Education  
Three Rivers Community Schools

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We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Three Rivers Community Schools (the "School District") for the year ended June 30, 2008, and have issued our report thereon dated November 7, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 23, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerril T. Norman (1941-1982)

## Internal Controls

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

We consider the following deficiencies to be a *material weakness* in internal controls:

*None Noted*

We consider the following deficiencies to be significant deficiencies in internal control:

*None Noted*

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 12, 2008.

## Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Three Rivers Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Three Rivers Community Schools during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

*Accrued Compensated Absences*  
*Depreciation*

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

#### No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### No Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 7, 2008.



### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Three Rivers Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Board of Education and management of Three Rivers Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

We are pleased to serve as the School District's auditors. If there are any questions about the audited financial statements or the contents of this letter, we would welcome the opportunity to discuss them at your convenience.

Sincerely,

*Norman J. Paulson, P.C.*

November 7, 2008